

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 NEA-10 MC-02 AID-20 IGA-02 EB-11

STR-08 TRSE-00 OMB-01 /185 R

DRAFTED BY ARA/CEN:LAPEZZULLO:TK

APPROVED BY ARA AMB. BOWDLER

LA/PLC:COL. WILLIAMS

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P 311901Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY SAN SALVADOR PRIORITY

C O N F I D E N T I A L STATE 214529

E.O. 11652:GDS

TAGS: PFOR, ES

SUBJECT: CALL BY PRESIDENT OF SALVADORAN CENTRAL BANK

REF: STATE 209707

1. PRESIDENT OF CENTRAL BANK EDGARDO SUAREZ CALLED ON DEPT. ASST. SECRETARY BOWDLER ON OCTOBER 29 AND RAISED TWO SUBJECTS: A) DIFFICULTIES GOES ENCOUNTERING IN OBTAINING IDB APPROVAL OF LOAN TO ANDA, AND B) UNFORTUNATE EFFECT OF LEAK OF ISRAELI JET PURCHASE. SUAREZ SAID FAILURE TO OBTAIN IDB LOAN COULD BE PARTICULARLY DAMAGING TO GOVERNMENT IN UPCOMING MUNICIPAL ELECTIONS IN THAT INCREASE IN WATER RATES WOULD FALL HEAVIEST ON LOWER-INCOME CONSUMERS.

2. SUAREZ SAID LEAK OF ISRAELI AIRCRAFT DEAL "COULD NOT HAVE COME AT A WORSE TIME". THE FORMAL TALKS IN MEXICO AND PRESIDENT MOLINA'S MEETING WITH LOPEZ SUFFERED. BOWDLER TOLD SUAREZ ESSENTIALLY WHAT HE HAD TOLD PRESIDENTIAL EMISSARY ORTIZ MANCIA (REFTEL); THAT LEAK
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CAME FROM UNAUTHORIZED SOURCE IN THE DEPARTMENT OF DEFENSE

WHO APPEARED INTENT UPON CRITICIZING ISRAELI ARMS SALES,
WHICH WAS THE CENTRAL THEME OF THE STORY, AND THAT MENTION
OF SALVADORAN PURCHASE WAS ONLY INCIDENTAL.

3. IN EXPLAINING GOES REASONS FOR SEEKING JETS FROM
THE ISRAELIS, SUAREZ SAID SEVERAL FACTORS WERE INVOLVED:
PRESSURE FROM THE AIR FORCE FOR REPLACEMENT AIRCRAFT
AND INFORMATION THAT HONDURAS ALREADY HAD OPERATIONAL
JET AIRCRAFT. IN RESPONSE TO THE LATTER POINT, DEPOFF
SAID OUR INFORMATION IS COMPLETELY TO THE CONTRARY;
THAT WHILE HONDURANS HAVE WORKED HARD TO PUT ONE OF THE
F-86S INTO FLYABLE CONDITION THUS FAR THEY HAVE NOT
SUCCEEDED IN GETTING ONE OFF THE GROUND. SUAREZ
APPEARED BOTH SURPRISED AND RELIEVED.

4. SUAREZ WAS GIVEN A FULL BRIEFING ON OUR EVENHANDEDNESS
POLICY TOWARD EL SALVADOR AND HONDURAS WITH SPECIAL
EMPHASIS ON THE CARE WITH WHICH WE STRUCTURED OUR OFFER
OF JET AIRCRAFT TO BOTH COUNTRIES. BOWDLER EXPLAINED
THAT CONGRESSIONAL APPROVAL WAS REQUIRED BEFORE THE USG
COULD OFFER FMS CREDIT. THIS WAS TRUE FOR BOTH COUNTRIES.
BOWDLER ALSO ADVISED SUAREZ THAT THE LETTER OF OFFER ON
THE A-37S WAS STILL VALID THROUGH NOV. 30.

5. SUAREZ SAID HE WOULD CONVEY THE SUBSTANCE OF THE
DISCUSSION TO PRESIDENT MOLINA.

FYI: IN SUBSEQUENT MEETING WITH IDB PERSONNEL, CEN
DEVELOPMENT OFFICER (CAMAUR) WAS TOLD IN CONFIDENCE
THAT IDB WILL SIGN THE ANDA LOAN AGREEMENT ON THE
CONDITION THAT GOES WILL REINSTITUTE WATER RATE IN-
CREASES AFTER THE MARCH ELECTIONS. ALLEGEDLY THE
HIGHER-INCOME SECTORS WILL BE THE FIRST TO PAY THE
HIGHER RATES. SUAREZ WAS AUTHORIZED BY PRESIDENT MOLINA
TO MAKE THIS GENTLEMAN'S AGREEMENT WITH THE IDB.
END FYI.

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